FDIC Office of Inspector General

FDIC's Valuation Process for Large Regional Bank Resolutions

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Notice

Pursuant to Pub. L. 117-263, section 5274, non-governmental organizations and business entities identified in this report have the opportunity to submit a written response for the purpose of clarifying or providing additional context to any specific reference. Comments must be submitted to comments@fdicoig.gov within 30 days of the report publication date as reflected on our public website. Any comments will be appended to this report and posted on our public website. We request that submissions be Section 508 compliant and free from any proprietary or otherwise sensitive information.

Executive Summary

FDIC's Valuation Process for Large Regional Bank Resolutions (EVAL-27-02) November 10, 2026

What We Did

Our objective was to determine the extent to which the FDIC adhered to established policies and procedures consistent with FDI Act requirements for the valuation function in response to the failures of Silicon Valley Bank, Signature Bank of New York, and First Republic Bank. We evaluated FDIC and contractor failed bank asset valuation activities and methodologies. We also reviewed policies and procedures, inspected FDIC valuation documents and liquidation cost estimates, reviewed FDIC models, and interviewed responsible officials to understand FDIC valuation efforts.

Impact on the FDIC

FDIC valuations based upon unreconciled financial information, alternative methods, and incomplete records can result in reduced confidence and assurance in the FDIC's valuation processes, inaccurate estimates, and hinder least cost requirements.

What We Found

In Spring 2023, the FDIC responded to three of the largest bank failures in FDIC history with the unanticipated rapid liquidity failures of Silicon Valley Bank, Signature Bank of New York, and First Republic Bank. While responding to these failures and executing its FDI Act responsibilities under compressed timeframes, the FDIC did not consistently adhere to its established policies and procedures for the valuation function.

Specifically, the FDIC did not (1) complete required reconciliations of bank financial data, (2) separately value a specialized asset, (3) obtain full asset valuation reviews for Signature Bank of New York and Silicon Valley Bank, or (4) conform to established resolution guidance and practices for First Republic Bank. In addition, key FDIC documentation for the Spring 2023 failures did not provide sufficient rationale and justification to support asset valuation conclusions and was not retained in accordance with FDIC requirements and best practices. We also observed that FDIC models provided incomparable or unreliable asset valuation and receivership expense information for use in large regional bank failures.

What We Recommended

We made five recommendations to improve FDIC valuation capabilities and practices when responding to the unique challenges that large regional bank failures present. We recommended that the FDIC develop guidance and resources to improve its ability to value unique assets, complete planned contracting efforts for obtaining asset valuation reviews during crisis events, assess the risk and develop policy for using indicative bids in resolution processes, implement standard documentation and timeliness requirements for key resolution records, and develop a process to ensure records for large regional bank resolution transactions are retained in an official repository. The FDIC concurred with all five recommendations and plans to complete all corrective actions by September 30, 2027.

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FDIC's Valuation Process for Large Regional Bank Resolutions

OBJECTIVE

This is the second report in a series of evaluations we are conducting to assess the adequacy of the Federal Deposit Insurance Corporation (FDIC) resolution readiness and response efforts for the failures of Silicon Valley Bank (SVB), Signature Bank of New York (Signature), and First Republic Bank (First Republic), including the extent to which the FDIC adhered to established policies and procedures for key resolution functions. The objective of this evaluation was to determine the extent to which the FDIC adhered to established policies and procedures consistent with Federal Deposit Insurance (FDI) Act requirements for the valuation function in response to the failures of SVB, Signature, and First Republic. We are conducting a subsequent evaluation assessing the FDIC's franchise marketing activities for these institutions and anticipate issuing a separate report on the results.

To answer the objective for this evaluation, we reviewed the FDIC's valuation activities for SVB, Signature, and First Republic. Our scope covered the FDIC's valuation activities from March 2023 through May 2023. **Appendix 1** of this report includes additional details about our objective, scope, and methodology. We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

BACKGROUND

The FDIC's mission is to maintain stability and public confidence in the U.S. financial system. Per the FDI Act, the FDIC has the authority to resolve and act as receiver for failed FDIC-insured depository institutions[1] (IDI). The FDI Act requires the FDIC to resolve IDIs by using the method that is the least costly to the Deposit Insurance Fund[2] (DIF) unless there is a systemic risk exception[3] (SRE). The SRE can be invoked if the collapse of a financial institution poses a significant risk to the overall stability of the U.S. financial system.[4] It allows the FDIC to bypass certain provisions of the FDI Act (e.g., least cost resolution requirement).

[1] 12 U.S.C. Chapter 16.
[2] 12 U.S.C. 1823(c)(4).
[3] 12 U.S.C. 1823(c)(4)(G).
[4] The U.S. Secretary of the Treasury makes the decision to invoke an SRE, in consultation with the President, after a written recommendation by a two-thirds majority of both the FDIC Board of Directors and the Board of Governors of the Federal Reserve System. 12 U.S.C. §1823(c)(4)(G).

Valuation Process Overview

FDIC Standard Resolution Process Overview

The FDIC requires large IDIs to submit resolution plans (referred to in this report as "360.10 resolution plans") to ensure the FDIC has access to all material information needed to resolve those IDIs.[5] The 360.10 resolution plans are intended to enable the FDIC to evaluate potential loss severity and perform its resolution functions efficiently.[6] The FDIC generally begins its formal resolution process when the primary regulator[7] of an IDI notifies the FDIC of the potential failure.

According to FDIC guidance, the FDIC's resolution process typically takes 90 days to complete.[8] The process includes (1) gathering failing bank data; (2) establishing virtual data rooms; (3) valuing a failing institution and its assets; (4) developing the marketing strategy and identifying potential bidders; (5) marketing the failing institution and soliciting, accepting, and evaluating bids for sale of some or all of the institution's assets and assumption of deposits, including some liabilities; and (6) determining which bid is least costly to the DIF.[9] The FDIC also works closely with the assuming institution through the closing process – or ensures the payment of insured deposits in the event there is no acquirer. This report focuses on step (3): valuing a failing institution and its assets. **Appendix 2** provides a visualization of these events.

Asset Valuation Review Process

Estimating the value of the failing IDI's assets is a critical step within the FDIC's resolution process because the values are used to assess the quality of bids and in determining the

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[5] See, 77 Fed. Reg. 3075 (January 23, 2012); 12 C.F.R. § 360.10. The rule requires IDIs with $50 billion or more in assets to prepare a plan documenting how the IDI can be resolved under the FDI Act. Since the issuance of the final rule in January 2012, the FDIC has revised these requirements. Refer to OIG Report, *FDIC Readiness to Resolve Large Regional Banks* (EVAL-25-02) (December 2024), for details on the changes to the requirements.

[6] The FDIC modified its approach to IDI resolution planning in April 2025 and issued Financial Institution Letter, *FDIC Provides Update on IDI Resolution Planning for Large Banks*, in December 2025. The Financial Institution Letter provided updates to IDI resolution planning requirements.

[7] Each FDIC-insured financial institution is primarily regulated by federal banking regulators and/or state-level agencies, determined by its charter type. FDIC-insured financial institutions chartered at the state level are regulated by both federal and state-level agencies. The primary federal regulators of FDIC-insured financial institutions include the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the FDIC. The Federal Reserve is the primary federal regulator for state-chartered banks that are members of the Federal Reserve System.

[8] This 90-day timeline reflects a typical resolution scenario due to a bank's capital impairment. The FDIC recognized that other bank failure scenarios, such as a liquidity event, may reduce this timeline.

[9] We previously reported that the FDIC's procedures for large regional bank resolutions were in draft and contained significant gaps (OIG Report, *FDIC Readiness to Resolve Large Regional Banks* (EVAL-25-02) (December 2024)). Therefore, we relied on the Division of Resolutions and Receiverships' existing policies and procedures on the FDIC's resolution process for IDIs with assets below $100 billion.

resolution method that is the least costly to the DIF. The established asset valuation review (AVR) process for a failing IDI begins with the FDIC receiving the bank's data, which occurs when the IDI's primary federal regulator and chartering authority[10] indicate failure is imminent. The FDIC requests the bank data, which consists of the general ledger, loan, and deposit information. The FDIC standardizes and reconciles the bank data and then provides reports to its Valuation Services Contractor[11] (VSC) for use in completing the contractor's Final Asset Valuation Report (AVR Report).

The AVR Report[12] is comprised of a narrative and valuation workbook and includes the final loan-level detailed file with pricing and loss estimates for all individual assets. The AVR Report also discusses the characteristics of each asset class and the valuation methodologies used to calculate a range of values for the market value, market loss, and cumulative loss estimates for each asset class within the portfolio and provides estimates for other important figures. The VSC is contractually required by the FDIC to present the range of values in the AVR Report at a low, mid-point, and high discount estimate based on perceived market value, economic conditions, and anticipated loss.

The VSC submits the completed AVR Report to the FDIC. The FDIC then performs a "reasonableness" review and considers the pricing methodology, assumptions, cumulative loss distribution, mathematical calculations, and completeness, among other considerations. The FDIC uses the AVR Report to develop a marketing strategy, create bidder files, and establish asset pools for potential buyers.

In summary, the FDIC's valuation process involves developing an estimate of the market value of the failed bank's assets and an estimate of the costs to liquidate the bank in receivership. The FDIC's receivership expense, or administrative costs, is also a factor in determining the cost of FDIC liquidation.

Determining the Least Costly Resolution

To determine the least costly resolution method for the failing IDI, the FDIC uses the least cost test (LCT) to estimate the cost of FDIC liquidation in receivership and the associated cost of

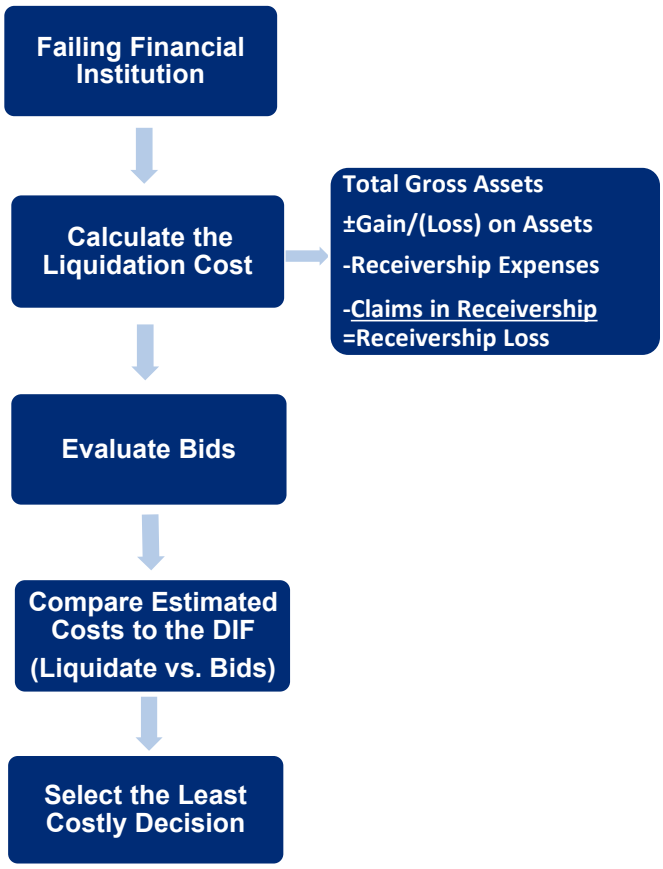
[10] The chartering authority is the government agency that authorizes a financial institution to operate as a bank. This includes the Office of the Comptroller of the Currency for national and federal charters and various state banking agencies for state charters.
[11] The FDIC relies on third-party contractors to conduct the asset valuation reviews.
[12] An AVR normally focuses on key bank assets, such as loans, other real estate, and mortgage servicing assets that may represent the majority of the bank's franchise value. When there is insufficient time to conduct an asset review, the FDIC uses a Resolution Asset Loss Model to value all or most of the non-loan assets. The FDIC also uses an Aggregate Asset Valuation Review (AAVR) to value loan and other real estate assets in such instances. The AAVR is based on the values of assets from the AVRs of other recently failed banks.

each acceptable bid received. The FDIC established the least cost test model (LCTM) as a structured method to calculate and compare the estimated cost of liquidating a failing institution and each acceptable bid received. The FDIC first estimates the perceived cost to close the bank, liquidate its assets, and pay off all insured depositors.[13] The total FDIC cost to the DIF is the difference between the actual amount recovered from the liquidation of a failed bank's assets and the total amount of insured deposits paid out or obligated to satisfy protected depositor claims.

The FDIC then evaluates bids submitted from financial institutions and other entities interested in acquiring the failed bank's deposits and assets. The FDIC compares the estimated cost of the bids received to the estimated liquidation cost. By law, the FDIC must choose the resolution method that is least costly to the DIF (i.e., liquidate or accept a bid) unless an SRE is invoked. For the resolutions of SVB and Signature, under an SRE, the FDIC used and applied the LCTM to determine the best value when comparing the estimated liquidation cost against the bids received. **Figure 1** below illustrates the LCT process.

[13] The receivership loss (loss from sale of assets) is distributed among the claimants of the receivership in the following order: secured creditors, administrative costs, depositor class (FDIC-insured and uninsured depositors, which both parties share equally on a pro rata basis), general creditors, subordinated creditor.

Figure 1: Least Cost Test Process



Source: OIG Analysis of DRR's Resolutions Handbook (January 15, 2019).

Receivership Expense Model

The Receivership Expense Model (REM) is an FDIC model that estimates the anticipated administrative costs of the receivership for a failing IDI. The REM, developed by the FDIC's Division of Insurance and Research (DIR), is a regression model that uses historical data from FDIC-terminated receiverships from 2007 through 2017. The model is generally updated

annually each Spring with year-end failed bank data from the previous year. In April 2021, the REM was updated with FDIC bank failure data as of December 31, 2020.[14]

The inputs to the REM include Consolidated Reports of Condition and Income (Call Report)[15] data, retained asset information, and FDIC shared-loss agreement[16] asset balances. This estimate is deducted from the total gross assets, along with the asset losses, to ensure receivership expenses receive priority payment. As shown in **Figure 1**, the receivership expense is an element in determining the total loss to the receivership and the DIF and least cost considerations for FDIC resolution strategies.

FDIC Resolution Roles and Responsibilities

DRR and CISR

In July 2021, the FDIC established the Division of Complex Institution Supervision and Resolution (CISR), Division of Resolutions and Receiverships (DRR), and Division of Risk Management Supervision Principles of Coordination and Collaboration policy to identify and coordinate responsibility for large complex financial institution[17] (LCFI) supervision and resolution among the three divisions. In addition, CISR and DRR established 11 Coordination Memorandums (Memo) prior to the Spring 2023 failures to outline areas in which CISR and DRR personnel would share responsibilities for specific resolution activities.[18]

The DRR-CISR Least Cost Test Coordination Memo addressed the roles and responsibilities for resolution efforts between DRR and CISR regarding the least cost resolution requirement for a failing IDI. According to this Memo, for IDIs above $100 billion in assets CISR was to serve as the “lead” Division to manage the resolution process and obtain all necessary approvals for the

[14] FDIC officials explained that, at the time of the 2023 failures, the REM did not receive more recent bank failure data because there were no bank failures in 2018 and a failed bank must have 3 full years of receivership expense activity to be included in the REM dataset. According to FDIC officials, in early 2023, discussions were underway to update the REM with data through December 2022 to include bank failures from 2019. This update was planned for May 2023.
[15] Call Reports are consolidated reports of the bank’s condition and income that must be filed by each bank on a quarterly basis.
[16] Under a shared loss agreement, the FDIC splits defined losses and expenses on certain assets with the acquirer.
[17] The FDIC generally defines large complex financial institutions as systemically important financial companies and IDIs with assets above $100 billion. According to the FDIC, a systemically important financial company is “any entity that meets the statutory definition of “financial company” [as defined under Title II of the Dodd-Frank Act], and for which a determination is made that, among other things, the resolution or insolvency of the entity under the otherwise applicable Federal or State law would have serious adverse effects on U.S. financial stability.”
[18] The 11 coordination memos provided guidance in the following areas: Accounting, Asset Management, Claims Section 360.9, Deposit Claims Part 370, Executive Placement, Franchise Marketing, Investigations, Least Cost Test, Non-Deposit Claims, Qualified Financial Contracts, and Technology Operations.

least costly resolution transaction. Per the Memo, CISR was also responsible for providing the analysis, inputs, receivership expenses, and other assumptions to perform the LCT analysis.

In the "support" role, DRR was to, among other things, prepare the LCT and maintain the LCTM. DRR would also provide LCTM outputs to CISR and access to DRR AVR Services contracts pursuant to the Franchise Marketing Coordination Memo. The key lead and supporting responsibilities of CISR and DRR for IDIs over $100 billion in assets are illustrated in **Figure 2**.

Figure 2: CISR and DRR Key Resolution Responsibilities

CISR Lead Division for IDIs with assets over $100 billion	DRR Support Division for IDIs with assets over $100 billion
•Manage the Resolution Process •Obtain all necessary approvals for least costly transaction •Provide the analysis, inputs, receivership expenses, and other assumptions to DRR to perform the LCT analysis[a]	•Prepare the LCT •Maintain the LCTM •Provide the model output to CISR •Provide access to DRR AVR contracts pursuant to the Franchise Marketing Coordination Memo

Source: OIG analysis of the DRR-CISR Coordination: Least Cost Test Resolution Memo
[a] This includes when overrides to hard-coded values are necessary.

According to the DRR-CISR Coordination: Technology Operations document, DRR was responsible for downloading the required deposit, asset, and general ledger data, and associated deliverables.

Contractors

The FDIC engages with various contractors to assist with its resolution activities. Notably, these contractors assist the FDIC with establishing virtual data rooms, asset valuations, and strategic advice for the resolution of financial institutions and marketing of the failed institutions to other financial institutions and entities.

FDIC Board of Directors

When an IDI is at risk of failing and the FDIC will likely be appointed as receiver, a failing bank case is presented to the FDIC Board of Directors. The failing bank case includes a supervisory

history, reasons for failure, and proposed marketing plans that market the IDI in the interest of the least costly resolution.

To ensure that the FDIC meets its statutory obligation to make insured deposits available to depositors "as soon as possible" following the failure of an IDI, within each failing bank case is the delegation of certain authority from the FDIC Board of Directors to FDIC staff. The Robinson Resolution delegates Board authority to DRR for failed IDIs with assets no greater than $1 billion. The Robinson Resolution provides a framework to effectuate limited transactions of a failed IDI for which the FDIC has been appointed receiver. It acts as a preauthorized transaction, which allows the FDIC to quickly resolve a failed IDI using the least cost method.

For the bank failures and associated resolutions described in this report, the Robinson Resolution was recommended in each IDI's failing bank case. As noted above, the Robinson Resolution applies to institutions with assets less than $1 billion. However, under this rapid failure event, FDIC officials requested to waive this restriction and the FDIC's Board of Directors approved the waiver. Due to the invocation of the SRE for SVB and Signature, the Board negotiated a requirement to approve the sale for those IDIs. However, the resolution of First Republic did not include an SRE, and the Robinson Resolution was applied for that sale. As a result, the sale of First Republic did not include an approving vote from the FDIC's Board of Directors.

In August 2023, the Board approved changes to the failing bank cases, including requiring the Director of CISR for assets over $100 billion or DRR for assets between $50 billion and $100 billion, respectively, to provide information on the marketing process, bids, and the least cost resolution transactions to each Board member. Additionally, the Director is now required to ask each Board member if a vote should be held for the approval of each proposed resolution.

2023 Large Regional Bank Failures

In 2023, the U.S. banking sector faced a potential crisis with the unanticipated rapid liquidity failures of SVB and Signature, followed shortly by the collapse of First Republic. We collectively refer to these failures in this report as the Spring 2023 failures. From March to May 2023, the FDIC resolved these three large regional banks,[19] resulting in an initial estimated $35.5 billion[20] loss to the DIF. Total assets in these institutions at the time of failure exceeded $500 billion.

[19] For purposes of this report, we define large regional banks as IDIs with assets of $100 billion or more.
[20] SVB ($20 billion), Signature ($2.5 billion), and First Republic ($13 billion) per FDIC press releases. The FDIC subsequently revised the estimated losses to the DIF based on FDIC receivership activities. The final loss will be determined when the FDIC terminates the receivership.

First Republic, SVB, and Signature were the second, third, and fourth largest bank failures in U.S. history, respectively, based on total assets at the time of failure.[21]

The FDIC's process for gathering financial institution data and valuing its assets typically begins 90 days before failure.[22] However, the FDIC was notified of the potential rapid liquidity-related failures for SVB on March 9, 2023, and Signature on March 10, 2023, one and two days, respectively, before the banks failed. The FDIC described the speed and volume of deposit outflows that occurred at these two banks as "unprecedented."

The FDIC, along with the Board of Governors of the Federal Reserve System, responded by recommending that the U.S. Secretary of the Treasury invoke an SRE for these two banks to protect the U.S. economy by strengthening public confidence in the U.S. banking system.[23] Due to the unexpected speed and succession of these bank failures, the FDIC had minimal time to coordinate and apply its resolution activities. These activities include gathering bank financial information, completing asset valuation analyses, and determining liquidation cost estimates required for executing its standard LCTM.

After the approval of the SRE, the FDIC established bridge banks for both failed institutions and transferred all deposits and substantially all of the assets to these new entities.[24] The bridge banks helped stabilize operations and afforded the FDIC additional time to conduct its valuation processes.[25] Due to the SRE, the sales of SVB Bridge Bank, N.A. and Signature Bridge Bank, N.A. were not subject to the least cost requirements under the FDI Act.[26] SVB Bridge Bank, N.A. was acquired by First-Citizens Bank & Trust Company under a purchase and assumption agreement with the FDIC on March 27, 2023 and Signature Bridge Bank, N.A. was acquired by Flagstar Bank under a purchase and assumption agreement with the FDIC on March 20, 2023.

Due to contagion effects from the same liquidity event and the associated deposit outflows, First Republic also experienced significant financial stress. From March 10 through 12, 2023, the FDIC began pre-marketing efforts for First Republic and initiated formal marketing efforts on April 27, 2023. Because the SRE was not invoked for First Republic, per the FDI Act, the FDIC

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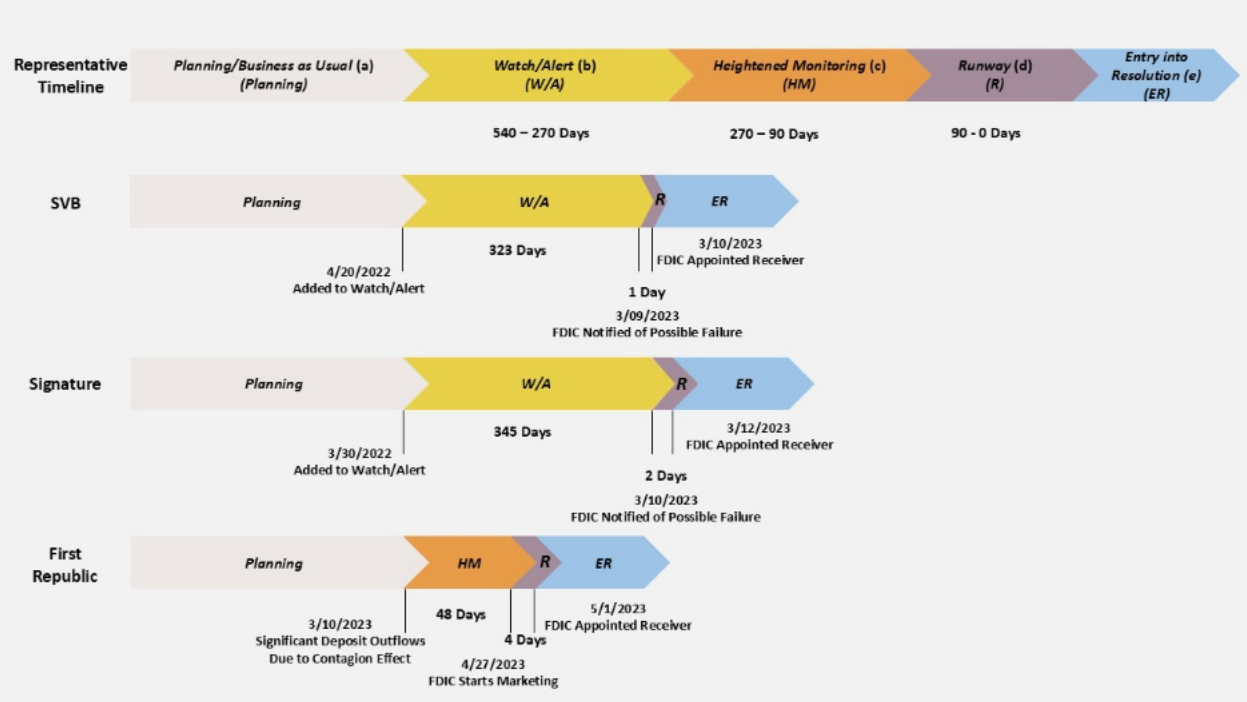
[21] SVB ($209 billion in assets) failed on March 10, 2023 and Signature ($110.4 billion in assets) failed on March 12, 2023; asset amounts are as of December 31, 2022. First Republic failed on May 1, 2023 with $229.1 billion in assets according to the FDIC press release.
[22] This 90-day timeline reflects a typical resolution scenario due to a bank's capital impairment. The FDIC recognized that other bank failure scenarios, such as a liquidity event, may significantly reduce this timeline.
[23] Joint Statement by the Department of the Treasury, Federal Reserve, and FDIC, March 12, 2023. The U.S. Secretary of the Treasury did not invoke an SRE for the failure of First Republic.
[24] A bridge bank is a full-service IDI operated by the FDIC. The FDIC established Silicon Valley Bridge Bank, National Association (N.A.) and Signature Bridge Bank, N.A.
[25] Congress of the United States, Senate Committee on Banking, Housing, and Urban Affairs, *Recent Bank Failures and the Federal Regulatory Response*, (testimony of Martin Gruenberg) (March 2023).
[26] 12 U.S.C. § 1823(c)(4)(G).

was required to select the resolution method that was least costly to the DIF. On May 1, 2023, the California Department of Financial Protection and Innovation closed First Republic and appointed the FDIC as receiver. On that same day, the FDIC entered into a purchase and assumption agreement with JP Morgan Chase Bank, N.A., to assume all the deposits and substantially all the assets of First Republic.

Figure 3 below depicts the FDIC's anticipated large regional bank failure timeline and the actual failure timeline for SVB, Signature, and First Republic.[27] The heightened monitoring phase is where financial information gathering and reconciliation, asset valuation activities, and liquidation expense estimates, among other things, take place. There was no heightened monitoring phase for SVB or Signature. As **Figure 3** highlights, the FDIC was afforded 1 day, 2 days, and 4 days respectively to execute the runway phase and finalize strategic resolution options and the LCT for these large regional bank failures before being appointed as receiver.

[27] Figure 3 also shows the phases of the resolution process: Planning, Watch/Alert, Heightened Monitoring, Runway, and Entry into Resolution. Refer to OIG Report, *FDIC Readiness to Resolve Large Regional Banks* (EVAL-25-02) (December 2024), for activities that occur within each phase.

Figure 3: Representative Failure Timeline vs. Actual Spring 2023 Failures, by Resolution Phase



[a] According to the FDIC Regional Resolution Framework Document, "[t]he duration and outcome of each phase will vary depending on the facts and circumstances surrounding the failing or failed institution and the resolution transaction."

Source: OIG Report, *FDIC Readiness to Resolve Large Regional Banks* (EVAL-25-02) (December 2024).

This report examines the unanticipated failures of three large regional banks in Spring 2023: SVB, Signature, and First Republic. While each failure and its associated resolution had unique circumstances, several common themes emerged in retrospect. This report highlights the established and relevant policies and procedures in place at the time of the failures and the extent to which the FDIC adhered to those requirements during the resolution process. We focus specifically on the FDIC's valuation of the failed banks' assets and corresponding impact the valuations had on the FDIC's least cost determinations, which also factors in the administrative costs of the receivership for the failing IDIs. We also examine the documentation supporting the FDIC's strategies, decisions, and rationale for its valuation efforts, along with the timing and retention of that documentation.

RESULTS

In Spring 2023, the FDIC resolved SVB, Signature, and First Republic through purchase and assumption agreements with other large banks, facilitated in part through an SRE for the resolutions of both SVB and Signature. We previously reported that the FDIC's readiness to resolve large regional banks under the FDI Act was not sufficiently mature to facilitate consistently efficient response efforts in a potential crisis failure environment.[28] During this evaluation we determined that while executing its FDI Act responsibilities under compressed timeframes, the FDIC did not consistently adhere to established policies and procedures for the valuation function when responding to the Spring 2023 failures.

During the resolution activities for the Spring 2023 failures, the FDIC did not (1) complete required reconciliations of bank financial data, (2) separately value a specialized asset, (3) obtain full asset valuation reviews for Signature and SVB, or (4) conform to established resolution guidance and practices for First Republic. In addition, the FDIC's key documentation for the Spring 2023 failures did not sufficiently provide the rationale and justifications supporting asset valuation conclusions in accordance with FDIC requirements and best practices nor did the FDIC maintain key records in an official repository. We also observed that the FDIC's REM, the approved model at the time, had known limitations and provided unreliable expense estimates. The FDIC used the expense estimates from the REM to determine its cost of liquidation and when assessing bids for these large regional bank failures. (b) (4), (b) (5) [redacted]

Adherence to established policies and procedures and maintaining key documentation that sufficiently supports FDIC valuation decisions promotes assurance, accuracy, and confidence in FDIC resolution processes. Absent these disciplines, there is increased risk of error in FDIC calculated loss estimates and least cost resolution determinations and increased risk to the FDIC of eroding the integrity of the asset valuation process.

[28] OIG Report, *FDIC Readiness to Resolve Large Regional Banks* (EVAL-25-02) (December 2024).

Finding 1

The FDIC Departed from Established Valuation Processes and Procedures

The FDIC did not consistently adhere to established valuation policies and procedures in its resolutions of SVB, Signature, and First Republic. Specifically, the FDIC did not (1) complete required reconciliations of bank financial data, (2) separately value a specialized asset, (3) obtain full AVRs for Signature and SVB, or (4) conform to established resolution guidance and practices for First Republic. Our previous report highlighted that the FDIC's readiness to resolve large regional banks under the FDI Act was not sufficiently mature to facilitate consistently efficient response efforts in a potential crisis failure environment.[29] While the FDIC had minimal time to apply established valuation processes and procedures for the Spring 2023 failures, FDIC valuations based upon unreconciled financial information and alternative methods increased the risk of inaccurate loss estimates and reduced assurance in the determination of liquidation costs and least cost resolution decisions.

Financial Reconciliation Not Completed

When the FDIC identifies that an IDI's failure is imminent, it begins collecting detailed financial information, including information regarding the bank's asset level details, bank and servicer generated trial balances and reports, and the bank's general ledger. The collected financial information is compiled and reconciled by the FDIC to the bank's general ledger to present it to potential acquirers. According to FDIC guidance, the financial information reconciliation process anticipates multiple weeks to obtain financial records and perform the pre-failure reconciliations.[30] However, as previously described, the Spring 2023 failures did not afford the FDIC sufficient time to collect data and perform pre-failure reconciliations.

SVB Reconciliation Challenges

According to FDIC officials, due to the rapid failure timeframe, the FDIC only had one day of notice before SVB's failure and did not have a complete and reliable general ledger from SVB to map the asset level details and trial balances. In addition, SVB failed midday on

[29] OIG Report, *FDIC Readiness to Resolve Large Regional Banks* (EVAL-25-02) (December 2024).
[30] The FDIC's Resolution Data Management team is responsible for preclosure financial data reconciliation.

March 10, 2023, which presented operational issues.[31] As a result, FDIC officials were only able to compare the asset level details against the system-generated trial balances from SVB and its servicers. FDIC officials acknowledged that the quality of SVB's accounting information was extremely poor and it took weeks after SVB's failure for FDIC accountants to determine what the general ledger represented at the time of SVB's failure.

Signature Reconciliation Challenges

FDIC officials also stated that they did not complete a pre-closing financial data reconciliation for Signature as they would under the standard DRR reconciliation process. Specifically, FDIC officials stated that due to Signature's rapid failure, they were unable to obtain loan data from all of Signature's servicers in order to meet the marketing timeline.[32] In response, the FDIC collected as much information from Signature as it could, such as the general ledger and other data downloads to support its marketing efforts. The FDIC had to request a subsequent general ledger from Signature and ultimately could not complete its standard pre-closing reconciliation process.

First Republic Reconciliation Challenges

FDIC officials stated that the financial data reconciliation process for First Republic was more closely aligned with their standard reconciliation processes but still experienced compressed schedules.

Specialized Asset Not Separately Valued as Anticipated

The FDIC's Regional Resolution Framework Document stated that it is critical that the FDIC estimates the value of the failing institution, where the value determined may be completed on an enterprise, assets, portfolio, or business line basis. However, we determined that the FDIC, in following its standard valuation processes, did not perform a separate valuation for Signature's Signet platform. The Signet platform was a proprietary blockchain-based digital platform that allowed Signature's commercial clients to make real-time payments to one another. [33]

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[31] The California Department of Financial Protection and Innovation closed SVB at 11:15 am (EST). According to FDIC officials, transactions continued from the time of failure to the end of the day. As a result, the FDIC did not have complete financial information because the end of day processing had not occurred. The FDIC had challenges comparing the end of the day underlying data to the financial statements and general ledger.
[32] According to an FDIC official, Signature was only marketed for 5-6 days. Signature had several loan platforms (servicers), and it was not possible to obtain the data from all platforms and complete reconciliation within 6 days. As a result, the FDIC never received a complete set of data from the servicers.
[33] OIG Report, *Material Loss Review of Signature Bank of New York* (EVAL-24-02) (October 2023).

Our previous report on the failure of Signature[34] highlighted that after the launch of Signet in 2019, Signature experienced significant growth in its Digital Assets Bank Group PCG, which was responsible for handling Signature's digital asset-related deposits and clients and was facilitated by Signet. In the period June 2020 to June 2021, deposits from digital asset-related customers increased by more than 800 percent to about $15 billion. The FDIC previously recognized the potential importance of the Signet platform to Signature's overall franchise value. Specifically, in November 2022 (4 months before Signature's failure), the FDIC conducted a resolution readiness exercise, which noted that an item for consideration was "whether there's franchise value around the sale of [the] Signature digital asset ecosystem…."

In addition, documentation from the resolution exercise highlighted the key operational continuity considerations the Signet platform presented in relation to Signature's franchise value. The FDIC also developed a Resolvability Assessment and Strategic Plan (RASP) for Signature prior to its failure. The purpose of the RASP was to outline a potential resolution strategy. The RASP acknowledged that Signet had "potential value as a franchise component" and "might have value to certain purchasers." The RASP also stated that more information was required to determine if Signet could be easily separated and sold, or if it would generate meaningful sales proceeds and noted that the marketability was unknown.[35]

According to FDIC officials, the Signet platform was classified and considered as an "Other Asset" type during the FDIC's resolution and valuation process and was not valued separately from the additional assets in this category. We found in reviewing the general ledger for Signature that the Signet platform was not identified as a separate line item or clearly distinguishable as a separate asset within the failed bank's accounting records.

In response to our request for clarification on the treatment of the Signet platform, FDIC officials stated they did not discuss with Signature management how the Signet platform was recorded on the financial statements and were unaware of other accounts[36] associated with the Signet platform. As a result, we were unable to determine Signet's book value and estimated loss in liquidation.

The FDIC has publicly stated that because of the sudden nature of the failures, there was no opportunity for pre-failure marketing of Signature.[37] In addition, prior to the March 2023 failure, Signature's total assets were down $8 billion from year end 2021 to 2022 due to deposit runoff by digital asset customers. According to FDIC officials and an internal document, continued

[34] Ibid.
[35] The associated sections of the Signature RASP discussing Signet were updated in January 2023.
[36] The FDIC identified a separate line item in Signature's general ledger, titled DDA Business – SB Signet, but this was a liability account with a zero balance.
[37] See, 89 Fed. Reg. 56621 (July 9, 2024).

deposit runoff and clarity around the ownership and licensing for Signet increased the FDIC's challenges in accurately valuing this specialized asset.

According to FDIC officials, there was also a lack of interest in the Signet platform and its remaining deposits from the winning bidder. As a result, it was excluded from the purchase and assumption transaction. FDIC officials also stated that an existing digital asset valuation contract at the time of Signature's failure did not support the valuation of this specialized digital-asset related product.[38] Specifically, FDIC officials noted that Signet was a digital asset payment technology platform and not a digital asset itself. As a result, existing FDIC contracts were not conducive to valuing the unique product.

We previously reported that "the resolution of failing or failed institutions (FFI) engaged in crypto-related activities poses complex challenges to the FDIC. The challenges include the assessment of franchise value, operational considerations, and deposit insurance determinations."[39] In addition, FDIC guidance at the time stated that "other assets may not have a value on the balance sheet and may be fully depreciated," but continued that "even though these assets are listed in an "other" category, it does not mean that they are any less important than the assets included in the major balance sheet categories."[40] The FDIC's experience and challenges in valuing the Signet platform highlights the need to further explore and implement proactive approaches to the valuation of specialized assets for large regional banks.

Ultimately, the Signet platform was retained by the FDIC for future sale. Signet-related assets were subsequently marketed and sold later in FDIC receivership in 2024 for $152,000.[41] In February 2026, the FDIC awarded a contract to a new firm that will assist in planning readiness for failures that include digital assets and distributed ledger technology. This contract will also provide training for FDIC personnel in these areas.

Asset Valuation Reviews Not Obtained

FDIC standard valuation processes and practices include the use of specialized contractors to perform AVRs of certain failed bank assets. As described previously in this report, when there is insufficient time to conduct an AVR, FDIC procedures allow for the use of an AAVR to value loans and other real estate assets. However, the FDIC could not use the AAVR method for

[38] According to the FDIC contract, "[t]he Contractor will provide a full range of Cryptoasset servicing and support services that include, but are not limited to valuation, liquidation planning, securing and transferring Cryptoassets, offering technical support, maintaining ongoing custody, accounting and financial reporting, and executing liquidations."
[39] OIG Report, *FDIC Strategies Related to Crypto-Asset Risks* (EVAL-24-01) (October 2023).
[40] Other Assets/Other Liabilities Job Aid 3.3.
[41] As described previously in this report, we were unable to identify or assess the book or estimated liquidation value of the Signet Platform at the time of Signature's failure.

these failures as the historical data was not considered appropriate due to the limited loss data and unique assets of these banks. Due to this rapid failure event, the FDIC was also unable to consistently obtain AVRs in accordance with its procedures.

In February 2023, prior to the Spring 2023 failures, FDIC officials discussed during a Closed Bank Financial Risk Committee (CBFRC)[42] meeting the possibility for the Resolution Asset Loss Model[43] (ReALM) rates to temporarily replace AAVR loss rates because the AAVR's lookback period lacked current data. Subsequently in March 2023, the CBFRC members approved the temporary use of ReALM loss rates in place of the AAVR. Because the FDIC could not obtain an AVR from its contractors or appropriate AAVR data, the FDIC used a combination of ReALM, subject matter expertise, and contractor-derived loss rates to determine an estimated liquidation value for the SVB and Signature loan portfolios.

SVB Asset Valuation Approach

The FDIC did not obtain a full AVR for SVB and its associated assets due to the speed of its failure. In addition, the FDIC determined that due to the unique nature of SVB's loan portfolio and economic environment, ReALM loss rates would be inappropriate for use and likely overestimate potential losses. Instead, the FDIC established what it referred to as "blended" loss rates from multiple sources and applied them to various loan asset pools to determine the expected liquidation recovery rates.[44] Specifically, on March 24, 2023, CISR derived loss amounts for each of the loan asset pools, calculated at the loan level, using a mix of contractor and FDIC SME loss rates for use in the LCTM to determine the estimated cost of liquidation. The initial cumulative asset loss estimate for SVB's approximately $167 billion in assets using the contractor and FDIC SME loss rates was (b) (4), (b) (5) .[45]

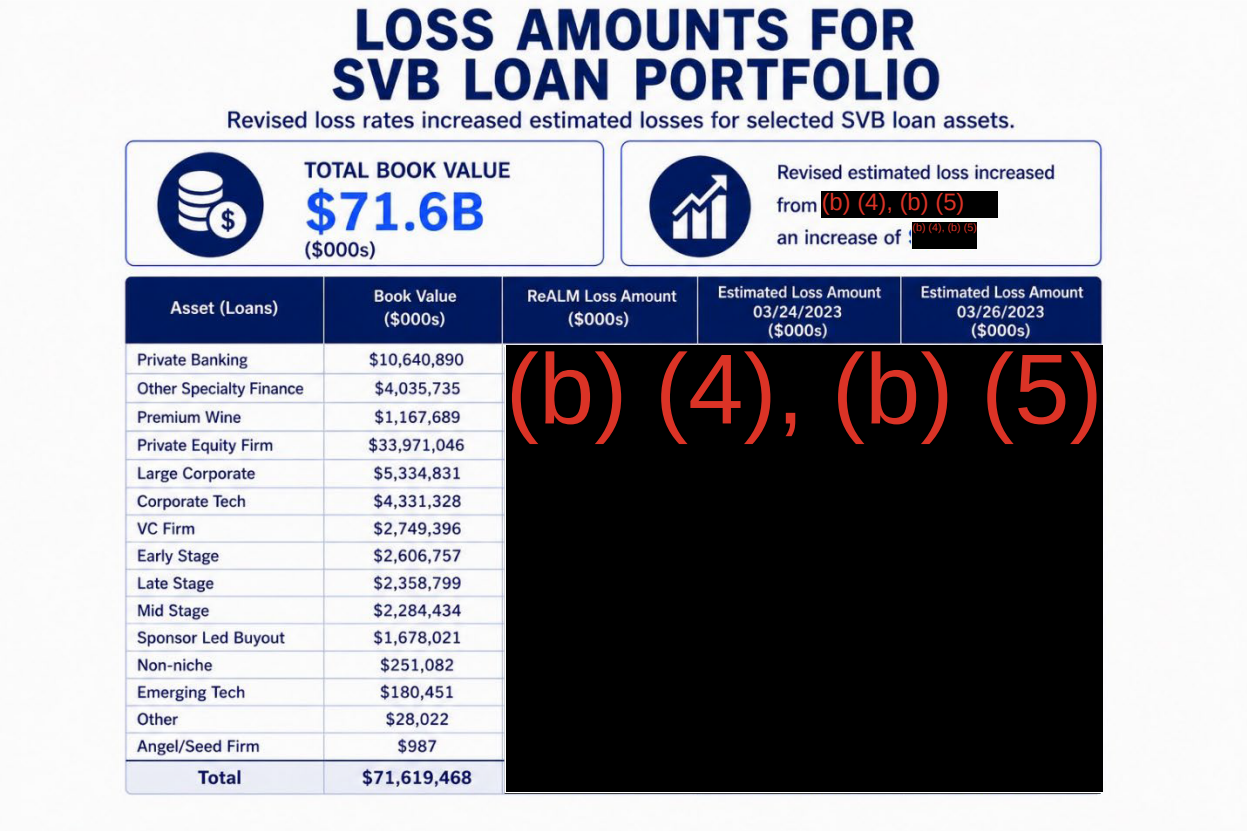
Subsequently, the FDIC used bid information from Signature's (b) (4), (b) (5) portfolios that were retained in receivership to revise the expected loss rates for those same asset types in SVB's liquidation cost estimate after bidding for SVB had closed. (b) (4), (b)

[42] The FDIC's CBFRC provides governance over the processes and methods used to estimate the costs of resolving failing insured institutions and disposing of assets in FDIC receiverships to ensure that these exposures are appropriately reflected on the FDIC's financial statements.
[43] ReALM, an FDIC model, calculated asset loss rates based on receivership data from previous bank failures (2007-2021). ReALM also captured data on assets held in shared-loss agreements and limited liability companies. In addition, it accounted for asset discounts mutually accepted by the FDIC and acquirers of the IDI.
[44] The "blended" loss rate is a term developed by the FDIC that leveraged and selected a combination of ReALM, SME, and contractor discount rates (e.g., haircuts) based on the confidence in each approach by loan portfolio segment. The "blended" loss rate did not constitute a statistical approach or weighted average of these components.
[45] The FDIC used a combination of ReALM loss rates and market value to determine the estimated loss on the non-loan assets.

(b) (4), (b) (5) [redacted]. FDIC officials stated that changing valuation rates after bids were received was not a standard or established FDIC practice.

On March 26, 2023, the FDIC determined the estimated loss on SVB's assets under a liquidation scenario using the revised loss rates. The cumulative asset loss estimate for SVB's approximately $167 billion in assets increased to (b) (4), (b) (5) [redacted] after the revised rates were applied. **Figure 4** presents the estimated loss amounts for the SVB loan portfolio based on ReALM compared to the revised loss amounts used by the FDIC. As noted in **Figure 4** below, the amounts between March 24, 2023 and March 26, 2023 (b) (4), (b) (5) [redacted]

Figure 4: Estimated Loss Amounts for SVB Loan Portfolio



LOSS AMOUNTS FOR SVB LOAN PORTFOLIO

Revised loss rates increased estimated losses for selected SVB loan assets.

TOTAL BOOK VALUE
$71.6B
($000s)

Revised estimated loss increased from (b) (4), (b) (5)
an increase of (b) (4), (b) (5)

Asset (Loans)	Book Value ($000s)	ReALM Loss Amount ($000s)	Estimated Loss Amount 03/24/2023 ($000s)	Estimated Loss Amount 03/26/2023 ($000s)
Private Banking	$10,640,890	(b) (4), (b) (5)		
Other Specialty Finance	$4,035,735			
Premium Wine	$1,167,689			
Private Equity Firm	$33,971,046			
Large Corporate	$5,334,831			
Corporate Tech	$4,331,328			
VC Firm	$2,749,396			
Early Stage	$2,606,757			
Late Stage	$2,358,799			
Mid Stage	$2,284,434			
Sponsor Led Buyout	$1,678,021			
Non-niche	$251,082			
Emerging Tech	$180,451			
Other	$28,022			
Angel/Seed Firm	$987			
Total	**$71,619,468**			

Source: OIG analysis of documentation provided by the FDIC.

We inquired with FDIC officials on the need to increase the estimated losses on these loan pools. In response, FDIC officials stated that they did not want to put the FDIC in a position of "undershooting" recoveries in receivership if FDIC liquidation was selected. In addition, FDIC officials stated that the valuation of (b) (4), (b) (5) took place during a period of intense market disruption where the values of such assets were significantly impacted by the failure of two of the largest lenders within the market. However, subsequent statements by FDIC officials appeared to support that the revised estimated loss rates applied to SVB's loan portfolios may have been overly conservative.

(b) (4), (b) (5)

(b) (4), (b) (5) [46]

Signature Asset Valuation Approach

The FDIC did not obtain a full AVR for Signature and its associated assets due to the speed of its failure. Instead, the FDIC considered and compared a range of approaches to determine the estimated liquidation value for Signature's loan portfolio, including ReALM, executive judgment, contractor derived estimates, and FDIC subject matter expertise. On March 18, 2023, the FDIC established the initial liquidation loss estimates for the loan portfolio based on FDIC subject matter expert (SME) inputs. The initial cumulative asset loss estimate for Signature's approximately $105 billion in assets using the FDIC SME rates was (b) (4), (b) (5) [47]

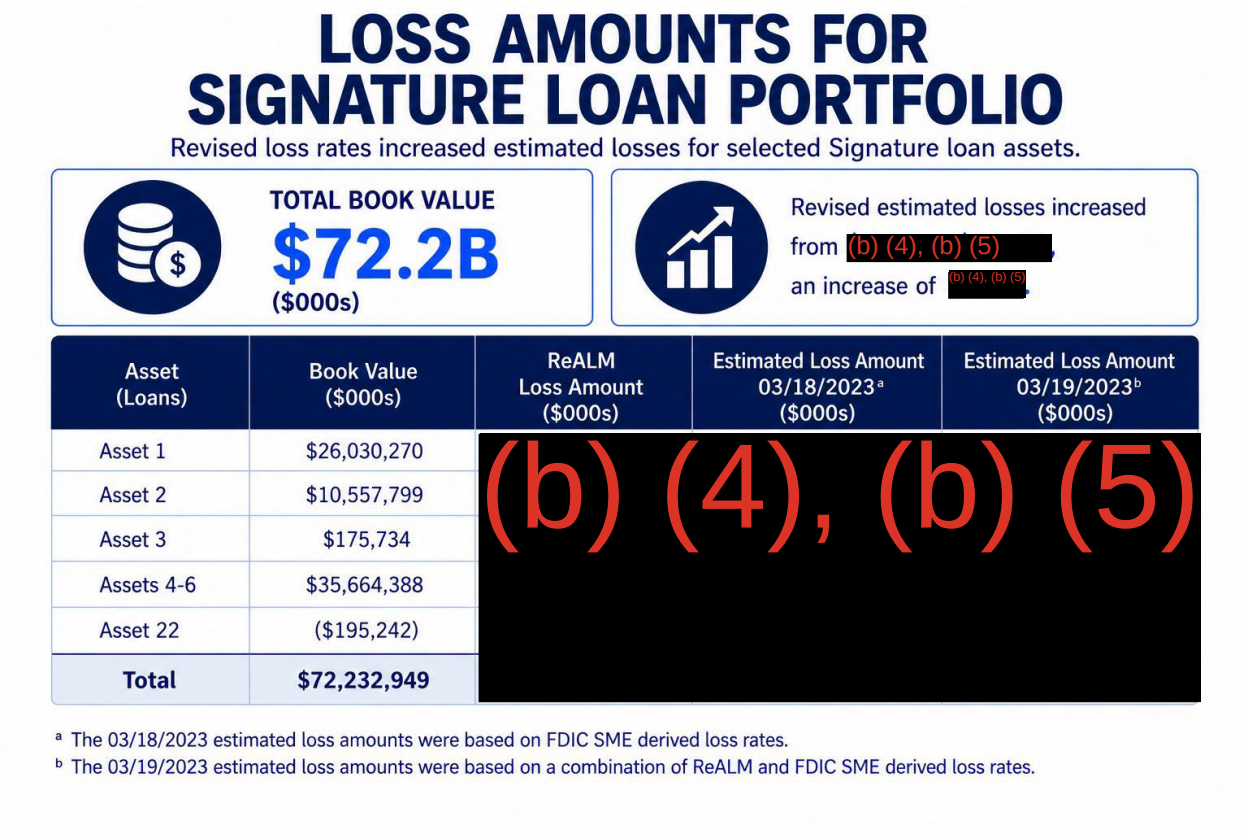
The FDIC then revised its initial SME-derived estimate for the loan portfolio on March 19, 2023, and deferred to using the ReALM loss rates for the Signature loan portfolio, except for the real estate loan portfolio. As previously noted, FDIC officials stated that changing valuation rates after bids were received was not a standard or established FDIC practice. The cumulative asset loss estimate for Signature's approximately $105 billion in assets increased to (b) (4), (b) (5) after the ReALM loss rates were applied.

According to FDIC officials, the rates were revised to apply a more conservative estimate that factored in current market conditions and the uncertainty and uniqueness associated with Signature's specialized assets. FDIC officials ultimately requested and applied changes to the LCT analysis to match the revisions to the FDIC-estimated rates. **Figure 5** presents the estimated loss amounts for the Signature loan portfolio based on ReALM compared to the revised loss amounts used by the FDIC. (b) (4), (b) (5)

[46] (b) (4), (b) (5)

[47] (b) (4), (b) (5)

Figure 5: Estimated Loss Amounts for Signature Loan Portfolio



Source: OIG analysis of documentation provided by the FDIC.[48]

We previously reported on how the FDIC's readiness to resolve large regional banks under the FDI Act was not sufficiently mature to facilitate consistently efficient response efforts in a potential crisis failure environment.[49] Specifically, we reported that the FDIC had not yet received a completed 360.10 resolution plan for Signature, as it had only met the requirements for submission in 2022 and was still drafting a plan. In addition, the FDIC only had an initial plan for SVB, which was in the preliminary review and feedback phase. The plan for SVB was missing key information, in that it "…did not list potential acquirers for a whole bank purchase, specific portfolios, and franchise components."

[48] See **Appendix 3** for asset references.
[49] OIG Report, *FDIC Readiness to Resolve Large Regional Banks* (EVAL-25-02) (December 2024).

Complete 360.10 resolution plans for these banks may have provided additional information regarding the details of loan portfolios and specific asset classes for FDIC valuation purposes. As a result, the FDIC did not have insight into certain unique asset classes, such as (b) (4), (b) (5) [redacted], for institutions with unique business models like SVB and Signature. According to FDIC officials, these types of assets were unique and did not trade on the secondary market,[50] so there was no comparable data to value them. In addition, the FDIC's ReALM model did not have comparable data to leverage against for (b) (4), (b) (5) [redacted] portfolios of the size of SVB and Signature.

In its after-action review on the Spring 2023 failures, CISR identified that the impediments to completing AVRs included (1) extremely tight timeframes; (2) niche business models, and (3) unique asset portfolios. The experience with valuing the unique and specialized assets for SVB and Signature highlights the need for the FDIC to leverage all available information to better position itself for determining estimates of value for specialized assets prior to the anticipated failures of large regional banks. During our evaluation, FDIC officials also noted that improvements to FDIC AVR contracts were in process to better support AVRs during the rapid liquidity event and tight timeframe failure scenarios that occurred in Spring 2023.

Non-Conformance to FDIC Resolution Guidance and Practices for First Republic

The FDIC did not consistently adhere to its established resolution guidance and practices for First Republic. Specifically, according to the previous FDIC Chairman, the FDIC implemented an indicative bid process for the resolution of First Republic among selected bidders to gather information on the strength of the market for the failed bank.[51] However, while this strategy had been used by the FDIC in the past[52] the use of indicative bids during FDIC asset valuation and franchise marketing processes had not been established in FDIC policy and procedures. According to FDIC officials, the indicative bid process was not used for any specific valuation activities.

In addition, the FDIC departed from its standard guidance and practices of using the mid-point estimate of its AVR contractor's loss analysis for the loan portfolio of First Republic when

[50] GAO Report, Federal Agricultural Mortgage Corporation, *Issues Facing the Secondary Market for FmHA Guaranteed Loans* (GAO/RCED-91-138) (June 1991). According to GAO, the secondary market occurs for example when a loan is sold by the original lender, or a stock is resold by an investor. Thus, a secondary market for loans involves the buying and selling of existing, rather than new, loans.
[51] Congress of the United States, Senate Committee on Banking, Housing, and Urban Affairs, *Oversight of Financial Regulators: Financial Stability, Supervision, and Consumer Protection in the Wake of Recent Bank Failures* (testimony of Martin Gruenberg) (May 2023).
[52] Indicative bidding was used by the FDIC for the resolution of IndyMac Federal Bank FSB and Washington Mutual Bank.

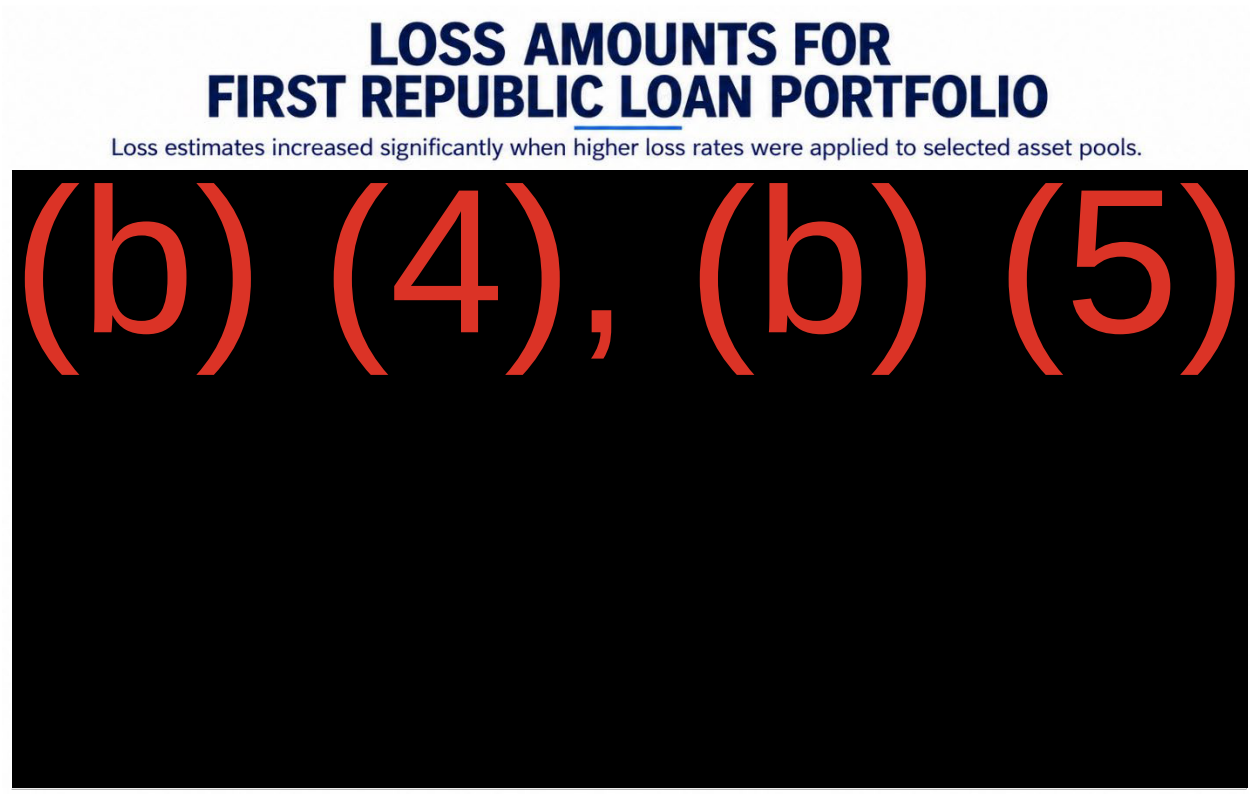
selecting the liquidation loss rate estimate.[53] This occurred in part because the existing FDIC checklist that instructed FDIC analysts to use the mid-point loss estimate of an AVR did not include guidance on deviations from the mid-point estimate when appropriate. According to FDIC resolution guidance at the time of First Republic's failure, the market mid-point dollar loss rate was the default rate to be used from the AVR.

Although the AVR contractor was required to consider current market conditions for its determined value of First Republic's assets, FDIC officials clarified that the practice of using a standard mid-point loss rate is based on an AVR that is completed on a representative sample size.[54] Due to the nature of First Republic's failure and compressed schedule for FDIC resolution activities, the AVR contractor selected a sample size of 355 loans, but only received 57 loans from First Republic to derive its estimates.[55]

According to an FDIC memorandum regarding the loss rates used for First Republic, there was increased likelihood of economic stress scenarios warranting serious consideration of the high loss (low economic value) scenario. According to FDIC officials, the principal drivers in the high loss rate selection included the systemic environment, the potential for expenses exceeding asset income due to extraordinary costs associated with outstanding borrowing lines, and the scale of the assets that would have aggregated across FDIC receiverships. (b) (4), (b) (5) [redacted][56]

[53] As presented below, while the FDIC ultimately documented its justification for using a higher loss rate, this documentation was not completed until 8 months after the failure and subsequent sale of First Republic.
[54] As described in the Background section of this report, the AVR normally focuses on key bank assets such as loans, other real estate, and mortgage servicing assets. The FDIC used a combination of ReALM loss rates and market value to determine the estimated loss on the non-loan assets.
[55] According to the AVR contractor, due to initial time restraints, the file selection methodology was chosen by selecting the three largest loans, by balance, in each of the bank's sub-asset categories.
[56] (b) (4), (b) (5) [redacted]

Figure 6: Estimated Loss Amounts for First Republic Loan Portfolio



Source: OIG analysis of documentation provided by the FDIC.[57]

FDIC's decision to use the high loss scenario for First Republic to determine least cost may have been appropriate given the stress in the banking industry and regional bank liquidity concerns at the time. However, departing from established FDIC resolution practices and procedures presents increased risk to the FDIC of determining accurate liquidation cost estimates and may erode the integrity of the asset valuation process.

The FDIC updated its Franchise Marketing Process Guide in September 2024 and added an indicative bid process as a marketing approach. According to the Franchise Marketing Process Guide, an indicative bid process "can narrow down which bidders to move forward with to solicit BAFO [Best and Final Offer]". The Guide also notes that an indicative bid process can be used to "check to see if bids would satisfy [the] LCT and can also be used to change strategy to

[57] See **Appendix 3** for asset references.

bridge, to seek systemic risk exception, etc." The FDIC should assess the appropriateness of using indicative bids for large regional bank resolutions and determine the associated risk to its asset valuation and franchise marketing activities.

Conclusion

FDIC valuations based upon unreconciled financial information and alternative methods, including resolution approaches not formalized in FDIC guidance, may be less accurate and result in reduced confidence and assurance in the FDIC's estimated cost of liquidation and adherence to the least cost principles. In turn, this could make the FDIC's bid evaluation efforts less effective and increase the risk of higher losses to the DIF. In addition, not determining the independent value of unique or specialized bank assets at the time of failure could result in delayed action by the FDIC in maximizing their sale price.

Notably, the FDIC presented similar observations during its own internal lessons learned reviews of the Spring 2023 failures. According to a 2025 CISR after-action review report, "tight timeframes, niche business models, unique asset portfolios, and challenges with obtaining complete financial data, made asset valuation more challenging."

The FDIC has demonstrated improvements to its valuation processes since the failures of SVB, Signature, and First Republic. For example, the FDIC has initiated modification efforts to its AVR contracting processes to account for the increased speed and nature of large and complex bank failures. Furthermore, the FDIC revised its 360.10 plan requirements to enhance bank resolution plan submissions and expand expectations for capabilities testing.[58]

This new rule requires banks with total assets of at least $100 billion to submit 360.10 resolution plans. Additionally, banks with total assets of $50 billion to $100 billion, are required to submit limited informational filings. The revised rule also requires periodic testing to validate key capabilities and processes needed in a resolution, such as continuation of critical banking services, potential marketing of the bank franchise or its components, and the bank's capability to populate a virtual data room with key information at the time of failure.[59] On June 25, 2026,

[58] 12 CFR Part 360 - Resolution plans required for insured depository institutions with $100 billion or more in total assets; informational filings required for insured depository institutions with at least $50 billion but less than $100 billion in total assets, 89 Fed. Reg. 56,620 (July 9, 2024).
[59] As described above, the FDIC modified its approach to IDI resolution planning in April 2025 and issued Financial Institution Letter, *FDIC Provides Update on IDI Resolution Planning for Large Banks*, in December 2025. The Financial Institution Letter provided updates to IDI resolution planning requirements.

the FDIC Board voted to approve two notices of proposed rule-making that will further revise resolution readiness requirements for banks.[60]

Recommendation 1:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution**, **in coordination with the Director, Division of Resolutions and Receiverships**, develop and implement procedures and associated resources to support FDIC capabilities for obtaining valuation estimates of non-traditional or unique asset classes for large regional banks.

Recommendation 2:

We recommend the **Director, Division of Resolutions and Receiverships**, complete planned modifications to contracts to accommodate the completion of asset valuation reviews during crisis events.

Recommendation 3:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution, in coordination with the Director, Division of Resolutions and Receiverships**, assess the appropriateness of using indicative bids for failed bank resolutions, determine the associated risk to its resolution processes, and develop formal policy for its use.

[60]The proposed amendments to 12 CFR 360.10 include, among others, increasing the filing asset size threshold from $50 billion to $100 billion and eliminating requirements focused on resolution-related hypothetical analysis and content, such as development of a strategy and valuation analysis and adoption of a failure scenario. In addition, the FDIC proposed a resolution readiness adjustment to the deposit insurance assessment rate.

Finding 2

The FDIC Can Improve Documentation Practices Over Asset Valuation Analysis for Large Regional Banks

The FDIC did not maintain key documentation for the Spring 2023 failures in a manner that sufficiently explained the rationale and justifications supporting asset valuation conclusions in accordance with FDIC requirements and best practices. In addition, the FDIC did not maintain all key records in an official recordkeeping system. The FDI Act[61] requires and the U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*[62] (Internal Control Standards) supports the documentation of significant analysis and decisions so that activities are transparent and can be reviewed and evaluated. Further, FDIC policies and GAO Internal Control Standards require records to be properly maintained and readily accessible.

We previously reported that the FDIC's readiness to resolve large regional banks under the FDI Act was not sufficiently mature to facilitate consistently efficient response efforts in a potential crisis failure environment.[63] During the Spring 2023 failures, the FDIC lacked a formal resolution governance structure to coordinate and inform internal stakeholders of asset valuation determinations, analysis, and justifications for large regional bank resolutions. The FDIC had also not established a central repository for coordinating the retention of official records supporting its large regional bank resolution activities between multiple Divisions.

As a result, the FDIC's leadership and other internal stakeholders[64] had limited visibility into how institutions and their associated assets were valued when making decisions affecting the DIF. Further, inadequate documentation hinders the FDIC's ability to reconstruct the full scope of its valuation analysis, respond to future failure events, and impairs the ability for oversight bodies to assess FDIC resolution activities.

[61] The FDI Act establishes the statutory framework under which the FDIC evaluates resolution options and potential impacts to the DIF, including selecting the resolution method that is least costly to the DIF. (12 U.S.C. § 1823(c)(4))
[62] GAO-14-704G (September 2014), effective through the end of fiscal year 2025. The GAO's 2025 revision of Standards for Internal Control in the Federal Government was effective beginning with fiscal year 2026.
[63] OIG Report, *FDIC Readiness to Resolve Large Regional Banks* (EVAL-25-02) (December 2024).
[64] FDIC leadership includes the FDIC Board and Division leadership. Internal stakeholders include FDIC Division staff directly and indirectly involved in resolution activities.

Standards and Policy Require Documentation and Maintenance of Significant Analysis and Resolution Activities

GAO's Internal Control Standards state that management should design control activities to achieve objectives, respond to risks, and implement control activities through policies and may further define policies through day-to-day procedures.[65] According to GAO, management should use quality information to support the internal control system. Quality information is achieved when it is from relevant and reliable data that is appropriate, current, complete, accurate, accessible, and provided on a timely basis. In addition, management should clearly document all transactions and significant events in a manner that allows documentation to be readily available for examination and internally communicate the necessary quality information to enable personnel to carry out their responsibilities.

A previous GAO report on the FDIC's failed bank resolution process emphasized the importance of maintaining documentation that clearly explains the basis for FDIC decisions and supporting analysis.[66] The report also presented general documentation criteria for resolution decisions and analysis. The FDIC Process Guide for Valuation[67] acknowledged these standards and expectations, as well as outlined the process for developing financial projections, baseline balance sheets, and other inputs to support valuation analysis used in resolution decision-making. This FDIC guidance required that assumptions integral to cost evaluations be clearly identified, documented, supported by relevant data or judgement, and referenced to the sources used.[68]

FDIC policy requires that recorded information be stored and managed in approved systems of record in accordance with retention schedules and established file plans.[69] Records must be maintained within designated repositories to ensure they are complete, accessible, and retrievable.[70] Notably, FDIC policy on failed financial institution resolution activities requires the

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[65] GAO-14-704G (September 2014), effective through the end of fiscal year 2025. The GAO's 2025 revision of Standards for Internal Control in the Federal Government was effective beginning with fiscal year 2026. The principles surrounding these standards were recently emphasized by the Office of Management and Budget (OMB) in Revised Circular No. A-123, Management Responsibility for Internal Control (March 10, 2026).
[66] GAO Report, *Failed Bank: FDIC Documentation of Crossland Savings, FSB, Decision Was Inadequate* (GAO/GGD-92-92) (July 1992).
[67] FDIC Valuation Process Guide (Interim Version, August 31, 2022) states that "Documentation should be clear, consistent, concise, and complete so that an outside observer can identify and understand the estimated cost of each option, including the assumptions and discount rates used. Data sources should be clearly identified so that figures can be traced to their source."
[68] While this guidance applied to the least cost test, absent FDIC guidance addressing a different standard for SREs, we considered the guidance established as a best practice.
[69] CISR Directive CISR-2022-001, *Records and Information Management (RIM) Program* (February 2022). File plans are lists of records created or maintained by an FDIC Division, Office, or work unit.
[70] FDIC Directive 1210.01, *Records and Information Management Program* (March 2021). The Directive was updated November 8, 2024.

retention of documentation supporting resolution activities (e.g., asset valuations, least cost tests analyses, approval memorandums, and final board actions).[71]

Weaknesses in FDIC's Valuation Memoranda

During and after the response to the Spring 2023 failures, the FDIC documented its rationale and justifications for asset valuations and discount rates applied for the failed banks in five memorandums (three for SVB and one each for Signature and First Republic). However, these documents received limited distribution and did not provide consistent, concise, complete, or timely justifications for how various assets were valued for cost of liquidation considerations and the supporting assumptions.

SVB Memoranda

In the case of SVB, the FDIC developed three separate memoranda describing the liquidation analysis and valuation assumptions used to estimate losses and inform the LCT analysis.[72] The three memoranda described loss estimates developed by FDIC SMEs and advisory contractors. While they referenced historical loss rates and other analytical inputs, the memoranda demonstrated weaknesses and did not consistently explain how FDIC officials determined specific loss rates applied to certain loan portfolios or why those rates were considered appropriate relative to other available estimates. As a result, the memoranda summarized the valuation outcomes, but did not consistently provide sufficient explanation, justification, or the analytical rationale underlying the estimates selected.

Specifically, the first memorandum (Memo 1) for SVB included loss rates that were developed by the FDIC's advisory contractors and FDIC SMEs,[73] and derived from ReALM. See **Table 1** for SVB asset pool loss rates included in Memo 1. According to Memo 1, the FDIC ultimately did not use ReALM because those rates would overestimate losses.[74] However, Memo 1 did not offer sufficient analysis or justification to explain why the selected loss rates were chosen, why

[71] The FDIC's Records and Information Management, Records Retention Schedule, Resolutions and Receiverships, RAR1000 (April 2018).
[72] As described above, due to the SRE, the sale of SVB Bridge Bank, N.A. was not subject to the least cost test requirements. According to FDIC officials, the FDIC used the LCT analysis to determine the best value when comparing the estimated liquidation cost against the bids.
[73] According to Memo 1, the FDIC SMEs had extensive direct knowledge of, and experience with, SVB's unique loan portfolio.
[74] FDIC officials subsequently explained that ReALM rates were not reflective of current market conditions or the profile of a bank that was the size of SVB and its associated assets.

those loss rates were the most appropriate, or why the other loss rates presented, other than the ReALM loss rates, were not appropriate in determining the FDIC cost of liquidation.[75]

Table 1: Loss Rates for SVB Asset Pools per Memo 1

Asset Segment	Contractor Low Loss Rate	Contractor High Loss Rate	FDIC SME Loss Rate	ReALM Loss Rate	Blend [a] Loss Rate
Asset 1	(b) (4), (b) (5)				
Asset 4					
Asset 6					
Asset 11					
Asset 12					
Asset 13					
Asset 14					
Asset 15					
Asset 16					
Asset 17					
Asset 18					
Asset 19					
Asset 20					
Asset 21					
Total Loss Rate %					

[a] FDIC officials defined the blend rate as the selection of the most suitable and supportable rate amongst the four valuation approaches for each loan category.[76]

Source: OIG presentation of a table in FDIC's Memorandum, *Silicon Valley Bank Loan Liquidation Analysis Summary*.[77]

As presented in Finding 1, the FDIC significantly increased the loss rates on SVB's (b) (4), (b) (5) [redacted].

[75] According to Memo 1, the FDIC ultimately developed blended loss rates for each loan pool that was being assessed by the prospective bidders and used the revised loan pool in the LCTM so that each bidder pool would have a specified liquidation value. These loan pool categories were different than the asset segments listed in Table 1. We also observed that some of the "blended loss rates" assigned to the revised loan pool categories were not included in Table 1.
[76] The blend loss rate did not constitute a statistical approach or weighted average of the ReALM, SME, or contractor discount rates.
[77] See **Appendix 3** for asset references.

The FDIC documented its justification in a third memorandum (Memo 3), dated March 25, 2023.[78] According to Memo 3, FDIC officials adjusted the rates for the (b) (4), (b) (5) based on bid information from the Signature receivership, which held similar assets. Specifically, the lack of investor appetite for (b) (4), (b) (5) had become evident during the bidding process. The FDIC also stated in Memo 3 that it expected the (b) (4), (b) (5) to significantly deteriorate in value in a receivership. Memo 3 also specified that the SME rate of (b) (4), (b) (5) portfolio did not account for the impact that the FDIC's decision to fund or repudiate funding commitments would have on the value.

Signature Memorandum

The FDIC finalized the memorandum on March 27, 2023; however, Signature was sold on March 20, 2023. As a result, the memorandum did not demonstrate distribution to FDIC stakeholders in a timely manner to inform them of how Signature's failed bank assets were valued.

The memorandum also did not provide sufficient analysis or justification for (1) why the loss rates were selected, (2) why those loss rates were the most appropriate, or (3) why the other loss rates were not appropriate in determining the cost of liquidation. Further, it did not adequately explain the methodology used for deriving some of the loss rates considered. For example, the memorandum did not explain how the FDIC derived the (b) (4), (b) (5) loss rate, how the rate was a reasonable alternative to other valuation methods presented, or why the rate was ultimately not used. As presented in Finding 1, the FDIC applied the ReALM loss rates to (b) (4), (b) (5),[79] Commercial loans, and Consumer loans to determine the liquidation cost estimate for Signature. Although the FDIC finalized the Signature memorandum after the SVB memorandums, the Signature memorandum:

- Did not reference consideration of the (b) (4), (b) (5) loss ranges presented in Memo 3 for SVB, and
- Contradicted FDIC statements in the SVB Memo 1 that the use of ReALM rates would likely overestimate losses.

First Republic Memorandum

The memorandum demonstrated the justification for the application of the rates used in the LCT analysis. However, it was not created or distributed to internal stakeholders, such as the FDIC's

[78] The FDIC finalized a second memorandum (Memo 2) on March 27, 2023, that explained the use of SME-recommended loss rates of (b) (4), (b) (5).
[79] While the Signature memorandum stated the loss rate applied to (b) (4), (b) (5) was derived from ReALM, ReALM did not have a (b) (4), (b) (5) asset category.

Board and senior FDIC leadership in a timely manner and contained inaccurate information. The memorandum was created on December 14, 2023, approximately 8 months after the failure and resolution of First Republic. In addition, the memorandum and its associated justifications referenced information from an outdated AVR as support.

Maintenance of Key Documentation

The FDIC Did Not Consistently Maintain Key Documentation in an Official Repository

We identified inconsistencies in the types of documents and completeness of records maintained in the FDIC's official recordkeeping repositories. For example, key valuation documents (e.g., FDIC memoranda and third-party inputs) were not consistently retained.

Both DRR and CISR established SharePoint sites for maintaining records for each of the three Spring 2023 failures. CISR's SharePoint site stated, "CISR has established this site as the official repository for failing/failed bank records" and "[t]his site will be used to capture final and/or executed resolution transaction documents for each functional area." Additionally, CISR's SharePoint site stated records generated by the bridge bank such as bridge board actions should not be stored on the site. However, we obtained an FDIC contractor analysis document supporting Signature asset valuations, as well as four of the FDIC memoranda described above for SVB, Signature, and First Republic that were not stored within either the CISR or DRR SharePoint repositories. As previously described, these FDIC memoranda included key information about asset valuations and accompanying analysis and decisions. Furthermore, the final LCT analysis for Signature was not retained in either SharePoint repository.[80]

FDIC officials stated that CISR's SharePoint site was primarily intended for pre-failure coordination as an information gathering location and an "in-flight" deliberative process of assessing financing rather than as a comprehensive repository of official records. In addition, an FDIC official described several valuation analyses documents as "ad hoc" and as a result they were not maintained as official records within any official repository. However, we found these practices were inconsistent with the FDIC's requirements established in its Directives.

As a result, we determined that the FDIC had not established a centralized repository for retaining official records for its large regional bank resolutions. We previously reported that prior to the Spring 2023 failures, the FDIC had not executed a large regional bank resolution under its current organizational structure and multi-divisional coordination responsibilities. We also reported that roles and responsibilities were not fully addressed in CISR-DRR coordination

[80] The LCT analysis retained by DRR did not support the valuations used to complete the LCT analysis as CISR made subsequent revisions.

memoranda, and their contract-related analyses and communications were not consistently recorded.[81]

Conclusion

In summary, the FDIC's documentation did not consistently explain how FDIC officials selected key valuation assumptions, applied analytical judgments, or developed certain valuation estimates presented to FDIC leadership. In several instances, supporting materials summarized valuation results without clearly describing the rationale or analytical considerations that informed those estimates. In other instances, documentation was prepared and finalized well after FDIC valuation activities had occurred.

Incomplete documentation and record retention practices increase risk for the FDIC. Specifically, the FDIC Board and other internal stakeholders may lack necessary information to provide adequate oversight and assert confidence over the valuation, marketing, and transaction process during failed bank resolutions. For example, in August 2023, two FDIC Board members[82] publicly questioned the lack of the FDIC Board's role in the LCT analysis and resulting transactions for the Spring 2023 failures. In addition, there is an increased risk that the FDIC will make errors within its resolution processes, which could impact the DIF.

Weaknesses in FDIC documentation and retention practices also (1) limit the FDIC's ability to reconstruct activities and analyses applied to derive asset valuation and liquidation cost estimates and consider these records when responding to future failure events; (2) elevate the risk of loss for critical records as personnel separate from the FDIC; (3) impair the ability of oversight bodies, such as the GAO, OIG, and Congress to reconstruct the full scope of FDIC resolution activities; and (4) impede the FDIC's ability to improve resolutions processes through after-action reviews.

After the Spring 2023 failures, the FDIC established the LCFI Resolution Strategy Committee (RSC) to develop and provide recommendations to senior FDIC leadership regarding resolution strategies for LCFIs that require coordination of staff and resources from both CISR and DRR for execution. The LCFI RSC should help promote more consistent resolution documentation practices between FDIC Divisions. Further, in September 2023, the FDIC finalized a resolution requiring that FDIC Divisions provide information to each Board member on the marketing process, the potential qualified bidders, the bids received, and the least cost resolution

[81] OIG Report, *FDIC Readiness to Resolve Large Regional Banks* (EVAL-25-02) (December 2024) and OIG Report, *The FDIC's Procurement of Resolution and Receivership Services* (AUD-25-01) (June 2025).
[82] Former Vice Chairman Travis Hill (current Chairman), *Proposed Changes to the FDIC Governance Process for IDIs with $50 Billion or More in Assets* (Board Meeting August 29, 2023) and Former Director Jonathan McKernan, *Reinstating Board Oversight over Failed-Bank Resolutions* (Board Meeting August 29, 2023).

transaction. This improved oversight when coupled with improved FDIC documentation practices should promote additional transparency and understanding over FDIC resolution transactions.

Recommendation 4:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution, in coordination with the Director, Division of Resolutions and Receiverships**, implement standard documentation and timeliness requirements for key records that support and justify asset valuation analysis and determinations for large regional banks.

Recommendation 5:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution, in coordination with the Director, Division of Resolutions and Receiverships**, develop and implement a process to ensure records for all resolution transactions shared across Divisions involved in the resolution and receivership process are retained in an official repository.

Other Matter for Management Consideration

Limitations in the FDIC's Receivership Expense Model for Large Regional Bank Failures

During our evaluation, we observed that due to known limitations, the FDIC's REM provided unreliable receivership expense estimates for the FDIC's use in determining the FDIC's cost of liquidation and assessing bids for LCT considerations for SVB, Signature, and First Republic. According to FDIC regulation, administrative expenses of the receiver shall include necessary expenses incurred by the receiver by liquidating or otherwise resolving the affairs of a failed IDI.[83] The receivership expenses provided by the FDIC's REM appeared unreliable because the REM was not appropriately suited for large, complex financial institutions and their associated assets. As a result, FDIC-estimated receivership expenses may have been overstated, increasing the FDIC's liquidation cost estimates for comparison purposes against bids and LCT analysis.

To address the limitations of the REM, the FDIC completed development of a new model to estimate receivership expenses (i.e., Receivership Expense Estimation Model (REEM)), designed to produce consistent results and reliable outputs. Because we are performing a separate evaluation of the FDIC's franchise marketing function, which is related to this matter, we are not making a formal recommendation in this report.

REM is a regression model developed by DIR that is routinely used for determining FDIC receivership expense estimates.[84] Prior to the Spring 2023 failures, FDIC officials acknowledged the limitations of REM for large, complex, or atypical bank failures in key resolution guidance[85] and correspondence. In response, the FDIC applied additional modifications to the model's variables and coefficients in 2022 to improve its suitability for large and complex banks. Despite these efforts, we observed continued concerns expressed or documented by FDIC officials during the Spring 2023 failures with the REM's associated outputs, including the following:

[83] 12 C.F.R § 360.4.
[84] REM leverages Call Report data, historic information from FDIC-resolved banks and retained assets, and shared-loss asset balances.
[85] CISR included an "open item" in its August 2022 Valuation Process Guide pertaining to the REM stating that the "historical receivership expense model may not provide reasonable estimates for large, complex IDIs."

- An FDIC internal document used to calculate and estimate losses for First Republic stated that "the number [receivership expense] seems high..."[86]
- Multiple FDIC officials explained that they believed the current REM was not reflective of receivership expenses for large bank resolutions and unable to produce accurate information for "atypical banks."

Table 2 presents the receivership expense estimates provided by REM and used to calculate the FDIC's cost of liquidation for each Spring 2023 bank failure. This table highlights the significant difference in the estimated expense amount for similarly sized banks with over $100 billion in total assets.

Table 2: REM-Derived Estimates for Cost of Liquidation Scenario

Bank	Total Assets [a] ($000s)	Receivership Expense Estimate ($000s)
SVB	$167,204,409	(b) (4), (b) (5)
Signature	$105,720,878	
First Republic	$234,807,520	
Total	**$507,732,807**	

[a] SVB and Signature: Total assets as of March 10, 2023. First Republic: Total assets as of April 13, 2023.

Source: OIG analysis of documentation provided by the FDIC.

While FDIC officials acknowledged the weaknesses in the REM, they maintained that the REM was the best available tool at the time of the Spring 2023 failures because there was no formal guidance on alternatives to the REM.[87] Inaccurate and overstated receivership expense estimates could increase the FDIC's total estimated receivership loss because it reduces the amount available to pay claims, including insured deposits.[88] This can result in FDIC liquidation appearing to be a more costly option which, in turn, could result in the FDIC accepting bids that do not achieve the LCT requirements of the FDI Act.

[86] FDIC officials also explained during subsequent interviews that First Republic's assets appeared to be highly liquid and would not cost a significant amount to liquidate in receivership like the model indicated. First Republic was considered a significantly less complex institution than SVB and Signature, with traditional asset types.
[87] DIR's Technical Documentation for REM encourages subject matter expertise in place of model output under certain circumstances.
[88] The associated loss to covering insured deposits, paid by the DIF, is the amount used to compare against bids in the LCTM and to ensure the least costly resolution is selected.

FDIC COMMENTS AND OIG EVALUATION

On October 19, 2026, the FDIC provided a written response to a draft of this report, which is presented in its entirety in Appendix 4.

In its response, the FDIC reiterated the report's findings, concurred with all five recommendations, and communicated plans to complete all corrective actions by September 30, 2027. The FDIC's proposed corrective actions and its actions taken to date were sufficient to address the intent of the recommendations. Therefore, we consider all five recommendations to be resolved.

The FDIC completed corrective action on one recommendation prior to issuance of this report. The other four recommendations in this report will remain open until we confirm that corrective actions have been completed and the actions are responsive. A summary of the FDIC's corrective actions is contained in Appendix 5.

APPENDIX 1: OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

We are conducting a series of evaluations to assess the adequacy of the FDIC's resolution readiness and response efforts for the failures of SVB, Signature, and First Republic, including the extent to which the FDIC adhered to established policies and procedures for key resolution functions. The objective of this evaluation was to determine the extent to which the FDIC adhered to established policies and procedures consistent with FDI Act requirements for the valuation function in response to the failures of SVB, Signature, and First Republic.

We performed our work from April 2025 through August 2026. We conducted our work in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Scope and Methodology

The scope of the evaluation focused on the FDIC's policies and procedures, governance structures, roles, responsibilities, the activities applied, and supporting documentation for valuing SVB, Signature, and First Republic and their associated assets. We used the timeframe of March 10, 2023 (failure of SVB) through May 1, 2023 (failure and sale of First Republic) when assessing and reviewing the FDIC's execution of its valuation process for these failed financial institutions. We also considered FDIC actions taken to improve resolution response efforts after the Spring 2023 failures. Our evaluation did not include detailed reviews of FDIC officials' archived electronic mail during this timeframe.

To evaluate the FDIC's valuation process, we focused on the following activities:

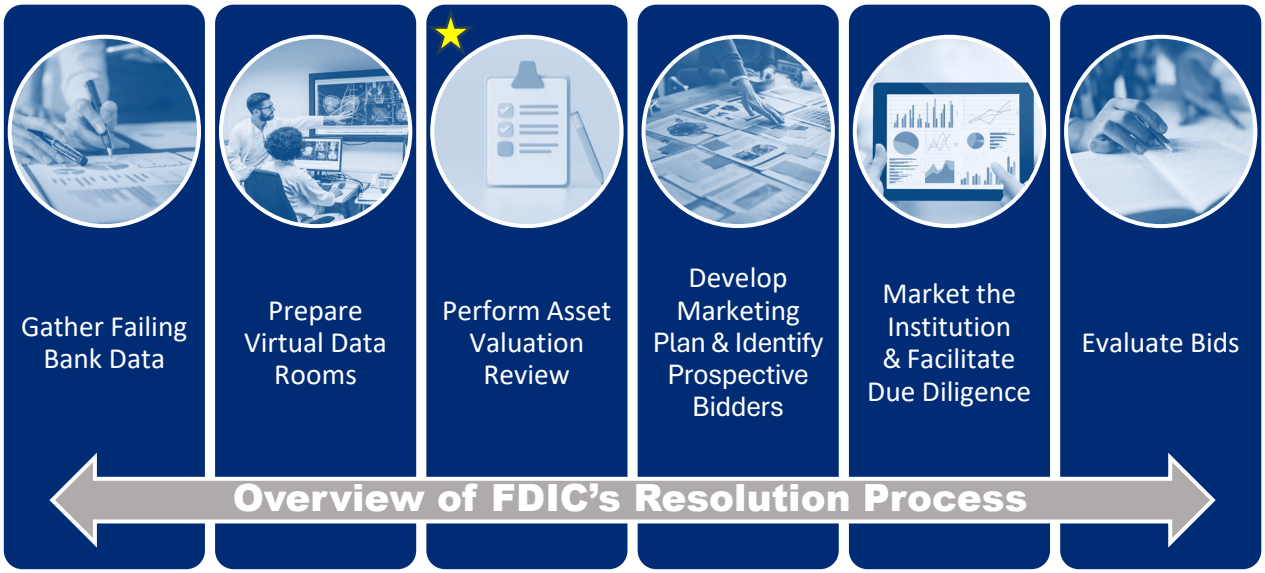
(1) determination of the FDIC's cost of liquidation;[89]
(2) retrieving bank data needed to perform the asset valuations;
(3) reconciliation of failed bank data;
(4) providing the financial advisors with access to the data;
(5) asset valuation methodologies and execution; and
(6) review and approval of final asset valuations.

[89] The initial cost of liquidation is based on the Call Report data. The FDIC includes the initial cost of liquidation in the failing bank case.

To address our evaluation objective, we performed the following procedures:

- Reviewed applicable federal laws and regulations and FDIC policies, procedures, and guidance:
    - Federal Deposit Insurance Act (FDI Act) [12 U.S.C. §1821(d)(13)(E)]
    - Various DRR-CISR Coordination Memos
    - DRR Resolution Handbook (January 15, 2019)
    - DRR Resolutions Policy Manual (June 2021) and Job Aids
    - CISR Valuation Process Guide (August 31, 2022)
    - FDIC (CISR) Regional Resolution Framework Document (August 31, 2022)
- Reviewed FDIC-determined liquidation cost estimates for SVB, Signature, and First Republic:
    - Assessed documents prepared by FDIC officials and its contractors used to derive values included in the cost of liquidation estimate.
    - Assessed whether the assumptions were clearly defined and supported.
    - Assessed any FDIC modifications to assumptions and associated support.
- Reviewed FDIC and contractor-provided asset valuations and their methodologies:
    - Obtained financial data used in valuation determinations for SVB, Signature, and First Republic.
    - Assessed FDIC bank data collection, analysis, and reconciliation processes.
    - Evaluated whether the inputs, discount rates applied, and methodologies used for the asset valuations were appropriate.
- Reviewed FDIC coordination and communication of information with internal and external stakeholders:
    - Assessed internal communication processes for FDIC Board members, CISR, DRR, and FDIC contractors, for the approval of key valuation decisions and activities.
- Interviewed key FDIC officials from CISR, DRR, and DIR to understand relevant valuation roles, responsibilities, activities, and coordination.

APPENDIX 2: FDIC'S RESOLUTION PROCESS



Source: OIG Analysis of a DRR Training Course, *Functions of Franchise Marketing.*

APPENDIX 3: ASSET NAME REFERENCE

This table presents the FDIC-defined asset names associated with the unique asset identifiers used throughout the report.

Asset Reference Used in Report	Asset Name
(b) (4), (b) (5)	

Source: OIG-created unique identifiers based on information in FDIC documentation.

APPENDIX 4: FDIC COMMENTS

Federal Deposit Insurance Corporation

MEMO

TO: Matthew Simber
Assistant Inspector General for Audits

FROM: Jenny Traille
Acting Director
Division of Complex Institution Supervision and Resolution (CISR)

JENNY TRAILLE
Digitally signed by JENNY TRAILLE
Date: 2026.10.19 15:17:28 -04'00'

Shawn Khani
Director
Division of Resolutions and Receiverships (DRR)

SHAWN KHANI
Digitally signed by SHAWN KHANI
Date: 2026.10.19 13:11:42 -04'00'

CC: Alfred Seivold
Acting Senior Deputy Director, CISR

Ryan Tetrick
Deputy Director, Resolution Readiness Branch, CISR

Krista Hughes
Deputy Director, Operations Branch, CISR

James Feeney
Deputy Director, Resolution Strategy Branch, DRR

DATE: October 19, 2026

RE: Management Response to the Draft Evaluation Report Entitled, *FDIC's Valuation Process for Large Regional Bank Resolutions* (2025-005)

Thank you for the opportunity to comment on the Office of Inspector General's (OIG) draft report, *Valuation Process for Large Regional Bank Resolutions*, issued on September 28, 2026. The objective of the review was to determine the extent to which the Federal Deposit Insurance Corporation (FDIC) adhered to established policies and procedures consistent with the FDI Act for the valuation function in response to the failures of Silicon Valley Bank (SVB), Signature Bank, and First Republic Bank. The FDIC appreciates the OIG's recommendations and remains committed to further strengthening its operational processes for the orderly resolution of large regional banks.

1

Federal Deposit Insurance Corporation

The OIG found that the FDIC did not consistently adhere to its established policies and procedures for the valuation function. Specifically, the OIG found that the FDIC did not (1) complete required reconciliations of bank financial data, (2) separately value a specialized asset, (3) obtain full asset valuation reviews for Signature Bank and SVB, or (4) conform to established resolution guidance and practices for First Republic Bank. The OIG also made observations regarding the FDIC's supporting documentation and receivership expense model.

The FDIC concurs with the OIG's recommendations to 1) support FDIC capabilities for obtaining valuation estimates of non-traditional or unique asset classes, 2) enable the completion of asset valuation reviews during crisis events, 3) consider the appropriateness of the indicative bid process and associated procedures, 4) implement standard documentation requirements for asset valuation analysis and determinations, and 5) provide for records-sharing across divisions within official repositories.

In addition, the FDIC had already begun to take steps to strengthen its valuation capabilities based on the experience in 2023. The FDIC resolicited its valuation contract and expanded the statement of work to include loans requiring complex valuation services, such as capital call loans and venture capital loans. The FDIC also initiated a solicitation for financial advisory services in resolution that would provide for the ability to contract for bespoke valuation analysis. In addition, the FDIC has addressed limitations associated with applying the existing Receivership Expense Model to large regional banks.

More generally, the FDIC has taken a number of steps to improve its resolution readiness for large bank failures and incorporate lessons from the 2023 failures, and expects to implement a range of additional reforms in the future.

Management Response to the Recommendations

FDIC management concurs with all five recommendations. A summary of our planned corrective actions follows.

Recommendation 1:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution, in coordination with the Director, Division of Resolutions and Receiverships**, develop and implement procedures and associated resources to support FDIC capabilities for obtaining valuation estimates of non-traditional or unique asset classes for large regional banks.

Management Decision: Concur

2

FDIC Federal Deposit Insurance Corporation

Corrective Action: The FDIC will develop and implement procedures and identify associated resources to further support FDIC capabilities for obtaining valuation estimates.

Estimated Completion Date: June 30, 2027

Recommendation 2:

We recommend the **Director, Division of Resolutions and Receiverships**, complete planned modifications to contracts to accommodate the completion of asset valuation reviews during crisis events.

Management Decision: Concur

Corrective Action: DRR completed a re-solicitation of its Asset Valuation Review/Services contract. The contract solicitation included new limited scope and expedited performance service clauses to shorten the required time frames to complete Asset Valuation Services, when requested by FDIC under any circumstance, including during crisis events. Under these service clauses, the contractor is required to perform Pre-Failure Valuations in an expedited manner, when requested by the FDIC. Delivery times for this service can be as short as three calendar days. Under Limited Scope and Expedited Performance, FDIC will define the timeline at the time of engagement, depending on the events and requirements of the resolution.

Estimated Completion Date: Corrective Action completed prior to issuance of the final report.

Recommendation 3:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution, in coordination with the Director, Division of Resolutions and Receiverships**, assess the appropriateness of using indicative bids for failed bank resolutions, determine the associated risk to its resolution processes, and develop formal policy for its use.

Management Decision: Concur

Corrective Action: The FDIC will assess the appropriateness of using indicative bids during the resolution process and develop a formal policy regarding their use.

Estimated Completion Date: September 30, 2027

3

FDIC Federal Deposit Insurance Corporation

Recommendation 4:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution, in coordination with the Director, Division of Resolutions and Receiverships**, implement standard documentation and timeliness requirements for key records that support and justify asset valuation analysis and determinations for large regional banks.

Management Decision: Concur

Corrective Action: The FDIC will implement standard documentation and timeliness requirements for key records to support and justify asset valuation analysis for large regional banks.

Estimated Completion Date: March 31, 2027

Recommendation 5:

We recommend the **Acting Director, Division of Complex Institution Supervision and Resolution, in coordination with the Director, Division of Resolutions and Receiverships**, develop and implement a process to ensure records for all resolution transactions shared across Divisions involved in the resolution and receivership process are retained in an official repository.

Management Decision: Concur

Corrective Action: The FDIC will develop and implement a process to provide for shared access across Divisions for resolution transaction records retained in official repositories.

Estimated Completion Date: March 31, 2027

4

APPENDIX 5: SUMMARY OF THE FDIC'S CORRECTIVE ACTIONS

This table presents management's response to the recommendations in the report and the status of the recommendations as of the date of report issuance.

Rec. No.	Corrective Action: Taken or Planned	Expected Completion Date	Monetary Benefits	Resolved:[a] Yes or No	Open or Closed[b]
1	The FDIC will develop and implement procedures and identify associated resources to further support FDIC capabilities for obtaining valuation estimates.	June 30, 2027	$0	Yes	Open
2	DRR completed a re-solicitation of its Asset Valuation Review/Services contract. The contract solicitation included new limited scope and expedited performance service clauses to shorten the required time frames to complete Asset Valuation Services, when requested by FDIC under any circumstance, including during crisis events.	August 1, 2026	$0	Yes	Closed
3	The FDIC will assess the appropriateness of using indicative bids during the resolution process and develop a formal policy regarding their use.	September 30, 2027	$0	Yes	Open
4	The FDIC will implement standard documentation and timeliness requirements for key records to support and justify asset valuation analysis for large regional banks.	March 31, 2027	$0	Yes	Open
5	The FDIC will develop and implement a process to provide for shared access across Divisions for resolution transaction records retained in official repositories.	March 31, 2027	$0	Yes	Open

[a] Recommendations are resolved when —

1. Management concurs with the recommendation, and the OIG agrees the planned corrective action is consistent with the recommendation.
2. Management does not concur or partially concurs with the recommendation, but the OIG agrees that the proposed corrective action meets the intent of the recommendation.
3. For recommendations that include monetary benefits, management agrees to the full amount of OIG monetary benefits or provides an alternative amount, and the OIG agrees with that amount.

[b] Recommendations will be closed when the OIG confirms that corrective actions have been completed and are responsive.

Appendix 6: Acronyms and Abbreviations

AAVR	Aggregate Asset Valuation Review
AVR	Asset Valuation Review
Call Report	Consolidated Reports of Condition and Income
CBFRC	Closed Bank Financial Risk Committee
CISR	Division of Complex Institution Supervision and Resolution
DIF	Deposit Insurance Fund
DIR	Division of Insurance and Research
DRR	Division of Resolutions and Receiverships
FDI	Federal Deposit Insurance
FDIC	Federal Deposit Insurance Corporation
First Republic	First Republic Bank
GAO	Government Accountability Office
IDI	Insured Depository Institution
LCFI	Large Complex Financial Institution
LCT	Least Cost Test
LCTM	Least Cost Test Model
RASP	Resolvability Assessment and Strategic Plan
ReALM	Resolution Asset Loss Model
REEM	Receivership Expense Estimation Model
REM	Receivership Expense Model
RSC	Resolution Strategy Committee
Signature	Signature Bank of New York
SME	Subject Matter Expert
SRE	Systemic Risk Exception
SVB	Silicon Valley Bank
VSC	Valuation Services Contractor



Federal Deposit Insurance Corporation

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The OIG's mission is to prevent, deter, and detect waste, fraud, abuse, and misconduct in FDIC programs and operations; and to promote economy, efficiency, and effectiveness at the agency.

To report allegations of waste, fraud, abuse, or misconduct regarding FDIC programs, employees, contractors, or contracts, please contact us via our Hotline or call 1-800-964-FDIC.

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